

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1043-05
Bill No.: SCS for HCS for HB 299
Subject: Business and Commerce; Revenue Department; Taxation and Revenue - Sales and Use
Type: Original
Date: April 27, 2015

Bill Summary: This proposal would require the Department of Revenue to notify sellers if there is a change in sales tax law interpretation. Additional provisions would mandate interest on unpaid tax refunds and overpayments begin at 45 days, extend the statute of limitations for a taxpayer who filed an amended return or whose tax return was changed by the IRS, provide sales tax exemptions for the sale of used mobile homes, for commercial laundries, and for certain vehicle sales and transfers, and change the property tax assessment procedures for telephone companies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(Could exceed \$1,979,538)	(Could exceed \$2,040,226)	(Could exceed \$2,051,546)
Total Estimated Net Effect on General Revenue	(Could exceed \$1,979,538)	(Could exceed \$2,040,226)	(Could exceed \$2,051,546)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 23 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
School District Trust	(\$416,667)	(\$500,000)	(\$500,000)
Conservation Commission	(\$52,083)	(\$62,500)	(\$62,500)
Parks, and Soil and Water	(\$41,667)	(\$50,000)	(\$50,000)
Blind Pension	\$0	\$0	(\$91,235 to \$136,853)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$510,417)	(\$612,500)	(\$703,735 to \$749,353)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	(\$1,616,667)	(\$1,940,000)	(\$11,169,940 to \$20,399,887)

FISCAL ANALYSIS

ASSUMPTION

Section 32.069, 136.110, and 143.811 Interest on Tax Refunds:

Changes to these provisions would require the Department of Revenue to pay interest on refunds not paid after 45 days from the date the return was filed, and would require the Department of Revenue to deposit receipts within two business days.

Officials from the **Department of Revenue (DOR)** assumed similar language in SB 350 (LR 1272-01) would have a negative fiscal impact on the General Revenue Fund, as discussed in detail below.

ASSUMPTION (continued)

Section 32.069, RSMo. - Interest on Refunds:

DOR officials noted the legislation would require the payment of interest on any overpayment of taxes if not refunded within 45 days. If the overpayment was not refunded within 45 days, interest would accrue from the date the taxpayer filed the return or the date the taxpayer filed for a credit or refund.

Section 143.811, RSMo. - Time Limit for Refunds:

DOR officials noted the legislation would reduce the time allowed to refund tax overpayments without paying interest from 90 to 45 days. Interest on unpaid refunds would accrue from the date the Department received the return.

Fiscal impact

Based on approximately 318,000 overpayments issued during calendar year 2014 that took longer than 45 days to issue, DOR officials estimated that interest in the amount of \$60,000 would have been paid if the 45 day limit had been in place. DOR officials also stated the current interest rate on overpayments is 0.6 percent; because that rate may vary, the potential impact could increase.

Oversight assumes the additional interest cost would be less than the DOR estimate of \$60,000. Oversight notes that DOR officials did not indicate a fiscal impact for the requirement to deposit all receipts within two days. Oversight also assumes the prompt deposit requirement would result in additional interest revenue for the state but we do not have any way to estimate that additional impact.

Administrative Impact

DOR officials assumed the Department would require programming changes to various systems in order to implement the legislation. DOR officials assumed Personal Tax would require an additional ten (10) Revenue Processing Technicians I (Range 10, Step L) and Collections and Tax Assistance (CATA) would require two additional Tax Collection Technicians I (Range 10, Step L), one for every additional 15,000 contacts annually on the delinquent tax line and one for every additional 15,000 on the non-delinquent tax line. DOR officials assumed each technician would require CARES equipment and license.

ASSUMPTION (continued)

Section 136.110, RSMo. - Deposit Processing

DOR officials noted this provision would require the Department to deposit payments received within two business days of receipt and stated the current average time to deposit is 1.68 days for Personal Tax payments and 1.04 days for Business Tax payments.

Administrative Impact

DOR officials assumed Personal Tax would require an additional 75 temporary employees during peak processing times to ensure that all payments are deposited within two business days of receipt, and Business Tax Processing would require three additional Revenue Processing Technicians I (Range 10, Step L) and one (1) Revenue Processing Technician III (Range 16, Step E) on a temporary basis at peak processing times to ensure all payments are deposited within two business days of receipt. DOR officials assumed the Department would also require four additional Transaction Management System (TMS) Licenses to process payments.

In summary, the DOR estimate of cost to implement the proposal including twelve additional full time employees, 2,400 hours per year for temporary tax employees, 1,088 hours of overtime per year for current full time employees, and the related benefits, equipment, and expense, was \$641,781 for FY 2016, \$615,992 for FY 2017, and \$621,759 for FY 2018.

Oversight assumes these provisions would not result in any additional returns, receipts, refunds, or other transactions; rather, it would require more timely processing of returns, payments, and refunds by the Department of Revenue. No additional full time employees would appear to be required to process this information more promptly, and Oversight will include only the DOR cost estimate for overtime, temporary classified employees, and temporary tax employees in our estimate of fiscal impact for this proposal. Oversight notes this proposal would be effective beginning on August 28, 2015 (FY 2016) and assumes these costs would apply to the tax processing season beginning in January 2016 (FY 2016).

Oversight also assumes the DOR estimate of expense and equipment cost for the new FTE could be overstated. If DOR is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment could be reduced by roughly \$6,000 per new employee.

ASSUMPTION (continued)

Oversight has, for fiscal note purposes only, changed the starting salary for the additional employees to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the DOR estimate of equipment and expense in accordance with OA budget guidelines. Oversight assumes a limited number of additional employees could be accommodated in existing office space. Finally, because the temporary classified employee would be benefit eligible, Oversight will indicate one additional FTE for this proposal.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$75,087 based on 1001.16 hours of programming to make changes to DOR computer systems.

Oversight assumes the programming would be limited to those changes necessary to process and pay interest according to the requirements in this proposal, and will include the DOR IT cost in our estimate of fiscal impact.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)**, assume this proposal would require DOR to remit refunds within 45 days. If the deadline is not met, interest would be paid from the date DOR received the return. In addition, DOR would be required to deposit all payments within 2 business days.

BAP officials noted the amount paid out in interest would increase as the time frame for requiring interest payments is reduced, and deferred to DOR for an estimated amount. BAP officials assume the proposal would have no impact to Total State Revenue or the calculation required under Section 18(e) of the state constitution.

ASSUMPTION (continued)

Section 143.801, RSMo - Statute of Limitations for Refunds and Credits:

Changes to this provision would allow a taxpayer to claim a credit or refund for overpayment of income taxes after the statute of limitations for making a claim has expired, if the tax payer files an amended return or the taxpayer's federal return is changed by the federal Internal Revenue Service after such period of time has expired. The Department would be required to notify the taxpayer of the overpayment and the taxpayer could file a claim for a credit or refund within one year of the notice.

Officials from the **Office of Administration - Division of Budget and Planning** assumed similar language in SS for SCS for SB 115 (LR 0137-02) could reduce Total State Revenues and General Revenue but would not have an impact on the calculation of excess revenue under Section 18(e) of the state constitution.

Officials from the **Department of Revenue (DOR)** assumed similar language in SS for SCS for SB 115 (LR 0137-02) could result in additional refunds.

Oversight will assume this proposal would result in an unknown amount of additional refund payments.

Oversight notes the proposal would require DOR to create a process to allow a taxpayer to claim refunds and credits which can not be claimed under current statute of limitations provisions. That process would become available if the taxpayer files an amended federal return, or the Internal Revenue Service changes the taxpayer's federal return and the changes would make the taxpayer eligible for a credit or refund.

Administrative Impact

DOR officials assumed Personal Tax would require two additional Revenue Processing Technicians I for returns processed and error correction, and Corporate Tax would require one additional Revenue Processing Technician I for correspondence, and programming time to develop and install new notices and notice messages. In addition, Collections & Tax Assistance (CATA) would require two additional Tax Collection Technicians I for calls to the delinquent and non-delinquent call centers. These personnel would require CARES equipment and licenses. Finally, Withholding Tax would require one additional Revenue Processing Technician I for correspondence.

ASSUMPTION (continued)

The **DOR** estimate of cost to implement this proposal including six additional employees, benefits, equipment, and expense, totaled \$245,770 for FY 2016, \$252,257 for FY 2017, and \$254,882 for FY 2018.

Oversight assumes a relatively small number of additional refunds would be allowed by this proposal and assumes DOR could implement this proposal with existing resources. If an unanticipated additional workload is created by this proposal or if multiple proposals are implemented which increase the DOR workload, additional resources could be requested through the budget process.

IT impact

DOR officials also provided an estimate of the IT cost to implement this proposal of \$100,700 for 1,343 hours of contractor programming at \$75 per hour.

Oversight will include the DOR estimate of IT cost in this fiscal note.

Officials from the **Department of Economic Development** deferred to the Office of Administration - Division of Budget and Planning and the Department of Revenue for an estimate of the fiscal impact of similar language in HB 268 (LR 0719-01).

Officials from the **Joint Committee on Administrative Rules** assumed similar language in HB 268, LR 0719-01 would not have a fiscal impact to their organization beyond existing resources.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration** assumed similar language in HB 268 (LR 0719-01) would not have a fiscal impact to their organizations.

Section 144.044, RSMo. - Sales Tax Exemption for Used Mobile Homes:

Officials from the **Department of Conservation (MDC)** assume this proposal would have an unknown negative fiscal impact to their organization, but greater than \$100,000. MDC officials stated Conservation Sales Tax funds are derived from a one-eighth of one percent sales and use tax pursuant to the Missouri Constitution. Exempting the sale of used manufactured homes from sales tax would reduce sales tax revenue to the Conservation Sales Tax funds.

ASSUMPTION (continued)

MDC officials deferred to the Department of Revenue for an estimate of the anticipated fiscal impact for this proposal.

Officials from the **Department of Natural Resources (DNR)** noted this proposal would create a sales and use tax exemption for used manufactured homes, and stated the Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to the Missouri Constitution. Therefore, any additional sales and use tax exemption would reduce the funding available in the Parks and Soils Sales Tax Funds.

DNR officials deferred to the Department of Revenue and Office of Administration - Division of Budget and Planning for a more detailed account of the fiscal impact of this proposal.

Officials from the **Department of Revenue (DOR)** stated this proposal would not have a fiscal impact to the state because it is their current administrative practice to not collect sales tax on used mobile homes.

DOR officials provided a response to this proposal which indicated no impact to state or local government funds and no administrative impact to their organization; however, the DOR response included an estimate of the IT cost to implement this proposal of \$19,440 for 259 hours of contractor programming at \$75 per hour to make changes to DOR systems. DOR officials stated their organization is currently using a manual process to void the sales tax due generated by the current motor vehicle system and that the IT cost in the response was for the estimated programming to eliminate the automatic assessment of sales tax on mobile home titles issued by the DOR system. The \$75 per hour rate is due to the OA-ITSD assumption that no employees will be available for projects to implement new legislation and contractors would be needed.

Oversight will assume for fiscal note purposes only, that OA-ITSD (DOR) employees could implement this proposal and OA - ITSD could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD could request funding through the budget process.

Officials from the **Office of Administration - Division of Budget and Planning** assume this proposal would have no fiscal impact on their organizations.

ASSUMPTION (continued)

Section 144.054, RSMo. - Sales Tax Exemption for Commercial Laundries:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed similar provisions in SB 20 (LR 0148-01) would provide a sales tax exemption for all materials, manufactured goods, machinery and parts, energy, chemicals, and other cleaning agents used to treat and clean textiles by commercial laundries. Based on information provided by the Department of Revenue, BAP officials estimated this provision would reduce Total State Revenue by \$2 million annually, of which \$1.4 million would be General Revenue.

Officials from the **Department of Revenue (DOR)** stated that similar provisions in SB 20 (LR 0148-01) would not have any direct fiscal or administrative impact on their organization, and would not require any changes to DOR systems. DOR officials assume this proposal would exempt from sales and use taxes all materials, manufactured goods, utilities, etc, used by commercial or industrial laundries to treat, clean, and sanitize textiles in facilities which process at least 500 pounds of textiles per hour and 60,000 pounds per week.

DOR officials noted the Department has denied refund claims of approximately \$315,000 submitted by a small number of commercial laundries over the past three years. If this legislation were approved, the Department expects the frequency and dollar amount would dramatically increase, and assume this could reduce Total State Revenue by at least \$2 million annually.

ASSUMPTION (continued)

Oversight notes the DOR estimate of reduction in Total State Revenue would indicate currently taxable sales of $(\$2,000,000 / .04225) = \47.3 million. For convenience, Oversight will round the estimate of taxable sales to \$50 million, and notes the sales tax on that amount of sales would be as shown below.

		Revenue Reduction	
Fund or entity	Sales Tax Rate	Ten months	Full year
General Revenue	3.000%	\$1,250,000	\$1,500,000
Conservation Commission	0.125%	\$52,083	\$62,500
Parks, and Soil and Water	0.100%	\$41,667	\$50,000
School District Trust	1.000%	\$416,667	\$500,000
Total state	4.225%	\$1,760,417	\$2,112,500
Local governments *	3.880%	\$1,616,667	\$1,940,000
* The 3.88% local sales tax rate is an average calculated by Oversight based on collections reported by the Department of Revenue.			

Oversight will indicate a revenue reduction for this proposal as calculated above.

Oversight notes that sales tax revenues in the School District Trust Fund are distributed to local school districts along with other revenues in the fund but will not include those transfers in this fiscal note.

ASSUMPTION (continued)

Section 144.021, RSMo. - Notification of Sales Tax Changes:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal could reduce Total State Revenues (TSR) by an unknown amount but would not impact the calculation required under Article X, Section 18(e) of the state constitution.

BAP officials noted this proposal would require the Department of Revenue (DOR) to notify sellers of any change in sales tax law that results from a decision by the DOR, the Administrative Hearing Commission, or a court. BAP officials assume this would relieve the seller of any obligation to collect and remit tax until such notification is received, and would reduce TSR by an unknown amount.

Officials from the **Department of Revenue (DOR)** assumed a previous version of this proposal would require the department to notify all affected businesses if the department, the Administrative Hearing Commission, or a court of competent jurisdiction changes the sales tax due on sales of tangible personal property or taxable services.

DOR officials assumed there would be no tax due until the seller receives notification of a tax decision unless the seller had not been selling the product or service at the time of the decision, and stated this provision would allow any seller of a new product, or a product for which no express decision of taxability has been made, to avoid sales tax liability until notified of the collection requirements.

Fiscal impact

DOR officials assumed the notification requirement would reduce Total State Revenue by an unknown amount, and would result in additional costs for personnel and postage.

ASSUMPTION (continued)

Oversight does not have any way to estimate the number of decisions or the amount of sales tax due that might be affected by this provision; however, Oversight assumes the proposed waiver of liability for taxes would only apply to businesses actively selling the type of tangible personal property or service affected by the decision on the date the decision is made or handed down. The waiver would not apply to any seller that has previously remitted tax on the tangible personal property or taxable services subject to the decision, nor to any business that had prior notice that the seller must collect and remit the tax. Accordingly, any prospective revenue reduction from the notification requirement would appear to be minimal and Oversight will not include a revenue reduction in this fiscal note.

Administrative impact

DOR officials assumed Collections and Tax Assistance (CATA) would have additional customer contacts with questions on letters received by customers, and would require one additional Revenue Processing Technician I (Range 10, Step L) for additional contacts to the registration section and tax assistance offices. Each technician would require CARES equipment and license.

DOR officials noted the Department does not maintain information regarding items sold by each business, and assume Sales Tax would need to notify approximately 140,000 businesses registered for sales and use tax in Missouri any time the state sales tax requirements change. DOR officials assume the notifications could be required up to five times per year, depending on the types of cases heard by the courts. DOR officials stated the Department is unsure how it would notify businesses that sell taxable tangible personal property or services but are not currently registered for sales tax or use tax reporting.

DOR officials estimated the annual cost of notifications as (140,000 businesses x 5 notices per year) = 700,000 mailings per year, costing (700,000 mailings per year x \$0.555 cost per notice) \$388,500.

ASSUMPTION (continued)

Oversight does not have information as to the number of decisions by the Department of Revenue, the Administrative Hearing Commission, or the courts regarding sales tax issues, but assumes the mandatory notification requirement could result in significant additional cost to DOR. Oversight assumes existing periodic communication with sellers of goods and taxable services would meet the mandatory notification requirement in this legislation for registered sellers and reduce the cost of implementing this proposal. Oversight also assumes DOR would not be required to directly contact unregistered businesses regarding sales or use tax decisions; the Department could notify unregistered merchants of sales tax program changes through notifications for other DOR programs, in publications, and on the DOR website. Oversight assumes the mailing cost to implement this proposal would be less than the DOR estimate.

DOR officials assumed Sales Tax would not need additional staff to issue the notifications, but up to 40 hours of overtime may be required, and the Department would need computer programming by ITSD to create a notifications process. Finally, DOR officials assume the notifications may result in additional contacts from taxpayers.

The DOR estimate of cost to implement the provision including one additional employee, the related benefits, equipment and expense, and the cost of mailing five notifications per year to businesses totaled \$429,896 for FY 2016, \$440,488 for FY 2017, and \$450,882 for FY 2018.

Oversight assumes the DOR estimate of expense and equipment cost for the new FTE could be overstated. If DOR is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment could be reduced by roughly \$6,000 per new employee.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional employee to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the DOR estimate of equipment and expense in accordance with OA budget guidelines. Finally, Oversight assumes a limited number of additional employees could be accommodated in existing office space.

ASSUMPTION (continued)

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$5,994 based on 79.92 hours of contractor programming to make changes to DOR systems.

Oversight assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year and could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request additional funding through the budget process.

Section 144.450, RSMo. - Sales Tax Exemption for Certain Vehicle Sales:

Changes to this provision would provide sales tax exemptions for certain purchases and transfers of motor vehicles, trailers, boats, and outboard motors.

Officials from the **Office of Administration-Division of Budget and Planning** assumed similar language in HB 869 (LR 2024-01) would codify longstanding Department of Revenue practice, so there would be no direct impact to general and Total State Revenues.

Officials from the **Department of Natural Resources (DNR)** deferred to the Department of Revenue and Office of Administration-Division of Budget and Planning for a more detailed account of the fiscal impact of similar language in HB 869 (LR 2024-01).

Officials from the **Department of Transportation** deferred to the Department of Revenue for an estimate of the fiscal impact of similar language in HB 869 (LR 2024-01).

Officials from **Cole County** assumed similar language in HB 869 (LR 2024-01) would have a negative impact on their organization since it would reduce sales tax collections.

ASSUMPTION (continued)

Officials from the **City of Kansas City** assumed similar language in HB 869 (LR 2024-01) would result in some revenue losses but stated they did not have available data to estimate those losses.

Officials from the **Department of Conservation**, the **Jackson County Election Board**, and the **Platte County Board of Elections** assumed similar language in HB 869 (LR 2024-01) would have no fiscal impact on their organizations.

Officials from the **Joint Committee on Administrative Rules**, the **Department of Revenue**, and the **St. Louis County Directors of Elections** assumed similar language in SB 378 (LR 1899-01) would not have a fiscal impact to their organizations.

Oversight assumes the BAP estimate of fiscal impact for this proposal is the best available, and the language in the amendment would have no fiscal impact.

Section 153.030, RSMo. - Telephone Company Property Tax Assessment:

In response to similar language in SB 305 (LR 1576-01), officials from the **State Tax Commission (TAX)** stated the fiscal impact from this proposal is difficult to project with the primary impact being on the taxing districts throughout the state. Telephone Companies electing to be assessed for property other than land and buildings pursuant to Section 137.122 do not currently report this property in a manner that allows TAX to definitively project the impact of this proposal. TAX was able to acquire the necessary information utilized in Section 137.122 on 4 telephone companies operating in Missouri. The results of these calculations varied greatly ranging in a reduction of 14% to 77% in the taxable valuation of the qualifying property. The impact of this legislation would vary significantly from company to company and would be influenced by criteria such as the age of the property being valued and the percentage of the overall valuation that is attributed to Land and Buildings. Upon review of the 67 telephone companies the TAX values, their prior renditions, and afore-mentioned data, our estimates are that the overall impact to the assessed value of telephone companies will reduce by 25% to 50%.

ASSUMPTION (continued)

- * Total Assessed Valuation of Telephone Companies valued by TAX: \$608,233,531
- * Current Tax Dollars Generated (based on average levy of \$6.07): \$36,919,775
- * Projected Range of Assessed Value if proposed legislation enacted: \$304,116,765
- \$456,175,148
- * Fiscal Impact (Potential Revenue Loss) to the taxing districts in Missouri:
\$9,229,940 - \$18,459,887

Oversight assumes there would be a negative fiscal impact to local political subdivisions based on the estimate provided by TAX. In addition, the Blind Pension Fund would lose \$.03 of every \$1.00 of assessed value lost.

Officials from the **Boone County** assumed similar language in SB 305 LR 1576-01 would reduce telecommunication companies' property taxes owed by 20% to 25%, and the taxing entities would lose \$166,500 to \$208,000 annually.

Officials from the **Office of the State Auditor** assumed similar language in SB 305 LR 1576-01 would have no fiscal impact on their organization.

Officials from **St. Louis County** assumed similar language in SB 305 LR 1576-01 would have no fiscal impact on their organization.

Oversight notes that this is for all years beginning or after January 1, 2017. Therefore, Oversight assumes this would impact payments made in December 2017 (FY 2018) and beyond.

ASSUMPTION (continued)

According to officials from the **Office of the Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** stated this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Cost - Department of Revenue</u>			
Salaries	(\$20,321)	(\$24,283)	(\$24,526)
Benefits	(\$10,089)	(\$12,107)	(\$12,228)
Equipment and expense	(\$6,484)	(\$610)	(\$625)
	(Less than	(Less than	(Less than
Printing and mailing	<u>\$388,500)</u>	<u>\$398,213)</u>	<u>\$408,168)</u>
<u>Total cost</u>	(Less than	(Less than	(Less than
Section 144.021	<u>\$425,394)</u>	<u>\$435,213)</u>	<u>\$445,547)</u>
Estimated FTE Change - Department of Revenue	1 FTE	1 FTE	1 FTE
<u>Additional revenue - Interest from prompt deposit requirement §136.110</u>	Unknown	Unknown	Unknown
<u>Cost - DOR</u>			
Salaries	(\$33,523)	(\$33,858)	(\$34,197)
Benefits	(\$8,629)	(\$8,715)	(\$8,802)
Equipment and expense	(\$26,205)	(\$2,440)	(\$2,500)
IT cost	<u>(\$75,087)</u>	<u>\$0</u>	<u>\$0</u>
	(\$143,444)	(\$45,013)	(\$45,499)
FTE change - DOR	1 FTE	1 FTE	1 FTE
<u>Total cost</u>			
Section 136.110			
<u>Cost - Interest on Refunds</u>	(Less than	(Less than	(Less than
Section 143.811	\$60,000)	(\$60,000)	\$60,000)

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
<u>Costs - DOR - programming costs</u> §143.801	(\$100,700)	\$0	\$0
<u>Revenue reduction</u> Refunds and credits Section 143.801	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> Sales tax exemption for laundries Section 144.054	<u>(\$1,250,000)</u>	<u>(\$1,500,000)</u>	<u>(\$1,500,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(Could exceed <u>\$1,979,538</u>)	(Could exceed <u>\$2,040,226</u>)	(Could exceed <u>\$2,051,546</u>)
Estimated Net FTE Effect on General Revenue Fund	2 FTE	2 FTE	2 FTE
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction</u> Sales tax exemption for laundries Section 144.054	<u>(\$416,667)</u>	<u>(\$500,000)</u>	<u>(\$500,000)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(\$416,667)</u>	<u>(\$500,000)</u>	<u>(\$500,000)</u>

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
CONSERVATION COMMISSION FUND			
<u>Revenue reduction</u>			
Sales tax exemption for laundries			
Section 144.054	<u>(\$52,083)</u>	<u>(\$62,500)</u>	<u>(\$62,500)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(\$52,083)</u>	<u>(\$62,500)</u>	<u>(\$62,500)</u>
PARKS, AND SOIL AND WATER FUND			
<u>Revenue reduction</u>			
Sales tax exemption for laundries			
Section 144.054	<u>(\$41,667)</u>	<u>(\$50,000)</u>	<u>(\$50,000)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	<u>(\$41,667)</u>	<u>(\$50,000)</u>	<u>(\$50,000)</u>
BLIND PENSION FUND			
<u>Loss - Reduction of Property Tax</u>			
Collections			(\$91,235 to
Section 153.030	<u>\$0</u>	<u>\$0</u>	<u>\$136,853)</u>
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>\$0</u>	<u>(\$91,235 to</u> <u>\$136,853)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
LOCAL GOVERNMENTS			
<u>Revenue reduction</u>			
Sales tax exemption for laundries Section 144.054	(\$1,616,667)	(\$1,940,000)	(\$1,940,000)
<u>Loss - Reduction of Property Tax Collections</u>	<u>\$0</u>	<u>\$0</u>	(\$9,229,940 to <u>\$18,459,887</u>)
Section 153.030			
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(\$1,616,667)</u>	<u>(\$1,940,000)</u>	<u>(\$11,169,940 to \$20,399,887)</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

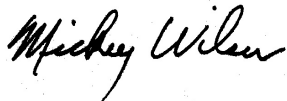
The proposed legislation would require the Department of Revenue to notify affected sellers when a change in the amount of sales tax due is modified by a decision of the department director, Administrative Hearing Commission, or a court that revises which items or services are taxable 90 days before the modification can take effect for the sellers.

Additional provisions would mandate interest on unpaid tax refunds and overpayments begin at 45 days, extend the statute of limitations for a taxpayer who filed an amended return or whose tax return was changed by the IRS, provide sales tax exemptions for the sale of used mobile homes, for commercial laundries, and for certain vehicle sales and transfers, and change the property tax assessment procedures for telephone companies.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Office of the State Auditor
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Conservation
Department of Economic Development
Department of Insurance, Financial Institutions, and Professional Registration
Department of Natural Resources
Department of Revenue
Department of Transportation
Missouri State Tax Commission
Boone County
Cole County
St. Louis County
City of Kansas City
Jackson County Election Board
Platte County Board of Elections
St. Louis County Directors of Elections



Mickey Wilson, CPA
Director
April 27, 2015

Ross Strobe
Assistant Director
April 27, 2015